

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7561

BILL NUMBER: SB 577

NOTE PREPARED: Feb 10, 2011

BILL AMENDED: Feb 7, 2011

SUBJECT: Financial Aid.

FIRST AUTHOR: Sen. Kenley

FIRST SPONSOR: Rep. Dermody

BILL STATUS: As Passed Senate

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) *Corrections:* This bill allows the Department of Correction to provide financial assistance for tuition, books, and supplies for an incarcerated felony offender who enrolls in a college degree program, and prohibits the State Student Assistance Commission (SSACI) from providing the financial assistance.

Associate Degree: The bill specifies that individuals who have an associate degree are eligible for the same awards as a student who graduated from high school with a core 40 or academic honor's diploma.

Higher Education Award: The bill provides that the Commission for Higher Education (CHE) shall maintain the records of students attending an approved postsecondary educational institution under a Higher Education Award. It requires an approved postsecondary educational institution to provide to the CHE the student data that is requested by the CHE and that is necessary to carry out the Higher Education Award provisions.

Twenty-First Century Scholarship: The bill requires a student participating in the Twenty-First Century Scholarship program to: (1) participate in an appropriate intervention program while enrolled in secondary school; and (2) maintain a grade point average of 2.5 during grades 9, 10, 11, and 12, if the student enters the Twenty-First Century Scholarship program after the 2010-2011 school year. The bill provides that a Twenty-First Century Scholarship may not be renewed unless the student has participated in appropriate intervention program while attending the eligible postsecondary educational institution.

Transfer: The bill allows money to be transferred from the Freedom of Choice Grant Fund to the Higher Education Award Fund.

Children of Disabled Veterans: The bill reduces the amount of the educational scholarship provided to a child of a parent with a military service related disability of less than 80% for an eligible applicant who is initially enrolled in a state educational institution. It provides that the scholarship reduction does not apply to a student who is enrolled in a state educational institution as of June 30, 2011, to a student who was a pupil at the Soldiers' and Sailors' Children's Home, or to a student whose parent received a Purple Heart decoration or was wounded in enemy action.

Graduate Student: The bill provides that only undergraduate fees are eligible for remission or scholarship awards.

Effective Date: Upon passage; July 1, 2011.

Explanation of State Expenditures: *Corrections:* The bill would allow the Department of Corrections to provide financial assistance for tuition, books, and supplies for an inmate. The impact would depend on the Department's resources for that purpose. Inmates would not be eligible for a SSACI award. About 1,837 prisoners who were students received \$3.7 M in the fall of 2010.

Associate Degree: The provision should have not fiscal impact. Since the Core 40 diploma is the standard diploma starting with the fall of 2011, a high school graduate with a Core 40 diploma will get 80% subsidy rate of tuition and fees. Currently the subsidy rates are 100% for Academic Honors graduates, 90% for Core 40 graduates, and 80% for all other students.

Higher Education Award : CHE could incur some additional cost associated with the development and maintaining a student information system on students that receive a Higher Education Award. The commission can probably develop and maintain the database within existing resources.

Twenty-First Century Scholarship: The provision could reduce the number of students that might be affirmed for the scholarship. For 2010, there were 6,661 affirmations to receive scholarships out of 12,970 students enrolled in the program. FY 2008, 11,346 21st Century Scholars received an average award of about \$2,500. Of the approximately 6,661 affirmations, about 1,673 had a grade point average (GPA) between 2 and 2.49, 1,931 had a GPA between 2.5-3.0, and 3,057 had a GPA more than 3.0 on a 4.0 scale. If the requirement was increased to a 2.5 GPA, some of the 1,673 students might have probably obtained a 2.5 or higher through additional work. Assuming that 1/3 of the 1,673 students would have obtained at least a 2.5 GPA that would still have left about 1,115 students who would not have qualified. The reduction in scholarship funds for 1,100 students would have been about \$2.8 M.

Transfer: The bill would allow the State Student Assistance Commission to transfer money from the Freedom of Choice Grant Fund to the Higher Education Award Fund after the commitments of the Freedom of Choice Grant have been met. The Freedom of Choice Awards totaled about \$43.7 M in FY 2007 and increased to \$52.5 M in FY 2009 and the Higher Education Awards were about \$119.6 in FY 2007 and increase to \$144.4 M in FY 2009. The bill would allow greater flexibility in the use of scholarship funding. Currently the transfer can only be made from the Higher Education Award Fund to the Freedom of Choice Grant Fund.

Children of Disable Veteran: The bill could decrease future fee remissions for an individual student depending of the disability of the parent. This bill changes the amount of fee remission to a percentage of disability plus 20% with a maximum of 100%. About 78% of the students had a veteran parent with a disability of less than 50%. The bill grandfathers students who are currently enrolled in a state institution as

of June 30, 2011, or who are pupils at the Soldiers' and Sailors' Children's Home, or a student whose parent received a Purple Heart decoration or was wounded in enemy action to the previous levels of funding.

For FY 2008-2009, there were about 5,063 children of deceased or disabled veterans receiving about \$18.8 M in fee remissions. There was \$20.5M annually appropriated for this program in FY 2010 and FY 2011. Currently, the demand for fee remissions has exceeded the appropriation so the amount distributed has been reduced so it does not exceed the appropriation. Universities must then make up the difference if the current 100% remission is not fully funded with the appropriation. Any impact of this change will be subject to the number of students who qualify and the amount of future appropriations.

Pell Grant: The bill would require SSACI to consider any Pell Grant a student receives if they do not receive any support from their parent in the determining financial resources for an award. The maximum Pell Grant is \$5,400 for 2012 and the average grant was about \$2,770 in 2008. The impact would depend on how the Pell grant is considered.

Graduate Student: The bill might disqualify about 358 students from receiving grants in the area of children of veterans awards for fee remission. Since the current appropriation for veteran scholarships did not cover all the costs, colleges paid part of the costs. SSACI paid about \$1.1 M and colleges provided about \$300,000 in funding. These expenses had been greater in prior years.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected State Student Assistance Commission, Higher Education Commission, State Universities.

Local Agencies Affected:

Information Sources: Laurie Gavin, State Student Assistance Commission, 317-234-5134 .

Fiscal Analyst: Chuck Mayfield, 317-232-4825.